GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

MA&UD Department – GVMC - Concession Agreement of M/s ECO Protection Engineers Pvt. Ltd. – A.V.Rambabu Infra Pvt. Ltd. – J.V.Chennai for the project "Design, Construction, Development, Finance, Operation and Maintenance of various Plant, Equipment and Facilities for Recycling and Reuse the waste water from Two STPs of 25 MLD & 38 MLD in Greater Visakhapatnam Municipal Corporation – Approved - Orders - Issued.

MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT (UH) DEPARTMENT

G.O.MS.No. 242 **Dated: 23-07-2018.**

Read the following:-

1. From the Commissioner, GVMC Lr.No.13522/2009/EE(UGD-P) EOI/ GVMC, dated.2.8.2011.
2. Govt.Memo.No.21264/R/2011, MA&UD(R) Deptt., dated.3.9.2011.
3. From the Commissioner, GVMC, Lr.No. 13522/2009/EE(UGD-P) EOI/ GVMC, dated.8.9.2011.
4. Govt.Memo.No.21264/R/2011, MA&UD(R) Deptt., dated.17.9.2011.
5. From the Commissioner, GVMC Lr.No.13522/2009/EE(UGD-P) EOI/ GVMC, dated. Nil.
6. Govt.Memo.No.21264/R/2011, MA&UD(R) Deptt., dated.19.11.2011.
7. From the Commissioner, GVMC Lr.No.13522/2009/EE(UGD-P) EOI/ GVMC, dated.21.11.2011.
8. Govt.Memo.No.21264/R/2011, MA&UD(R) Deptt., dated.2.4.2013.
9. From the Commissioner, GVMC Lr.No.13522/2009/EE(UGD-P) EOI/ GVMC, dated.3.4.2013.
10. Govt.Memo.No.21264/R/2011, MA&UD(R) Deptt., dated.7.8.2013.
11. From the Commissioner, GVMC Lr.No.13522/2009/EE(UGD-P)/ SE(P-II)/CE (GVMC), dated.14.8.2013.
12. Govt.Memo.No.21264/R/2011, MA&UD(R) Deptt., dated.6.12.2013.
13. From the Commissioner, GVMC Lr.No.13522/2009/EE(UGD-P)/ EOI, GVMC, dated.6.12.2013.
14. Govt.Memo.No.21264/R/2011, MA&UD(R) Deptt., dated.8.1.2014.
15. From the Commissioner, GVMC Lr.No.13522/2009/EE(UGD-P)/ EOI, GVMC, dated.08.01.2014.
16. From the CEO, APIA Lr.No.APIA/294/2014, dated. 15.4.2014 addressed to the Commissioner, GVMC.
17. From the CEO, APIA Lr.No.APIA/294/2014, dated.2.11.2014.

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O R D E R:-

In the references read above, the Commissioner, Greater Visakhapatnam Municipal Corporation has submitted a proposal to approve the tender of M/s ECO Protection Engineers Pvt. Ltd. – A.V.Rambabu Infra Pvt. Ltd. – J.V.Chennai for the project "Design, Construction, Development, Finance, Operation and Maintenance of various Plant, Equipment and Facilities for Recycling and Reuse the waste water from Two STPs of 25 MLD & 38 MLD in Greater Visakhapatnam Municipal Corporation to bring the quality to the required standards of the End Users, identify the buyers and sell the water to protective buyers on Build Operate Transfer (BOT) basis". It is informed that the Mayor has given orders for tender process and for concluding the agreement in anticipation of Government Orders. Accordingly, Concessionaire Agreement has been concluded with M/s ECO Protection Engineers Pvt. Ltd. – A.V.Rambabu Infra Pvt. Ltd. – J.V.Chennai.

2. The matter has been examined in consultation with the CRISIL Infrastructure Limited and the salient observations / recommendations were communicated to the Commissioner, Greater Visakhapatnam Municipal Corporation. The Commissioner, GVMC informed that the amendments to the clauses in the Concession Agreement will be incorporated in the revised Concession Agreement and the same will be submitted to the Government for prior review and approval before concluding the agreement with the preferred bidder.

P.T.O.

3. The matter has been further examined with the advisory Departments and the observations of the advisory departments have been communicated to the Commissioner, GVMC for appropriate action. The Commissioner, GVMC has informed that the details/ amendments as proposed were sent to the preferred bidder M/s Eco Protection Engineers Pvt. Ltd. – A.V.Rambabu Infra Pvt. Ltd. – J.V.Chennai and obtained their acceptance for suitable amendments. It has also been reported that Member Secretary, APIA has been requested to advise on the Revised Concession Agreement and the same has been received with a suggestion to make sure that the Concession Agreement prepared is in line with the APIDE Act, 2011 and that the GVMC shall assume responsibility for the adequacy of the Concession Agreement. It has also been informed that the Concession Agreement was reviewed as per the suggestion and found that the Agreement prepared is as per the guidelines and submitted three (3) Volumes of the Concession Agreement to the Government for approval. It has also been informed that the Concession Agreement was concluded vide Council Resolution No.48/12,dated:24.11.2012 after carrying out the corrections.

4. The Commissioner, GVMC informed that the preferred bidder has not accepted the suggestion of risk of variation in equity IRR to be borne by the Concessionaire as it will definitely further damage the economic feasibility of the project as they have signed the Concession agreement on 23.07.2012, even though the amendments like profit sharing and revenue sharing formula as suggested earlier were detrimental, in the right spirit of taking the project forward, they have been agreed upon by the bidder.

5. The matter has been further examined as (a) the Letter of Acceptance issued to the Contractor. (b) Concession Agreement concluded for implementing the project after vetting from Government. (c) SPV established for implementing the project under PPP Mode on BOT basis. (d) DPR prepared including engineering, detailed investigations and (e) Pilot project of the proposed TTP established with a capacity 1 KL/Hour implementing the project. (f) Environmental clearance from Pollution Control Board were obtained for implementing the project. (g) Financial closure completed and placed the matter before Workshop "Setting up of Waste Water Management Recycling Plants under PPP Mode", conducted on 17.05.2016, among others the present Project has also been discussed and it was opined that the Project is beneficial to GVMC since, GVMC will (1) get a Royalty of Rs. 2.25 / KL at an incremental rate of 5% per annum. (2) The Operation and Maintenance expenses of STPs can be saved except power (3) the potable water supplied to the industries can be saved by replacing tertiary treated sewerage upto 56 MLD, (4) the sea water contamination can be eliminated by avoiding the discharge of treated sewerage in to sea, (5) saving portable water for present and upcoming generation and (6) saving eco system living in sea.

6. Government sought the opinion of the Financial Advisor, Government of Andhra Pradesh Shri Narasimha Murthy, on the financial viability of the project. The Financial Advisor after examining the technical and financial aspects of the project and CRISIL report, opined that (a) Revenue accruals to GVMC works out to Rs.11.51 Crs per annum by way of Royalty and Savings in O & M Expenses of existing STP's and during project period of 25 years, the total revenue accruals works out to Rs. 287 Crs. approximately. (b) in addition Sea water contamination will also be eliminated by avoiding discharge of treated secondary water into sea. As such, the present proposal may be positively considered from Financial Point of view. The Financial Advisor has made certain general suggestions viz (i) CRISIL has advised GVMC to undertake the vetting of the Revised Capital and O&M expenses cost data by independent technical agency. Action is to be taken by GVMC before awarding the work. Necessary corrections are to be made in the agreement wherever necessary in line with the remarks of CRISIL in Revised Feasibility report regarding Tariff to RINL and Other consumers. GVMC should put a mechanism to check the water supplied to the bidder regularly to avoid revenue leakages. Periodical Review of Tariff structure is to be made based on the TTW demand to increase the benefits of surplus sharing pattern.

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7. Government after careful examination of the entire matter and considering the fact that it is the 1st PPP Project in the State and as the project generates revenue to the Greater Visakhapatnam Municipal Corporation besides safeguarding the eco system living in the sea by not letting the untreated sewage of the City into the Sea and increasing the domestic water supply as the water supply to the Industries will be taken care of by the developers, approve the Concession Agreement of M/s ECO Protection Engineers Pvt. Ltd. – A.V.Rambabu Infra Pvt. Ltd. – J.V.Chennai for the project "Design, Construction, Development, Finance, Operation and Maintenance of various Plant, Equipment and Facilities for Recycling and Reuse the waste water from Two STPs of 25 MLD & 38 MLD in Greater Visakhapatnam Municipal Corporation duly incorporating the suggestions made by the CRISIL.

8. The Commissioner, Greater Visakhapatnam Municipal Corporation shall take necessary action in the matter.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

R.KARIKAL VALAVEN
PRINCIPAL SECRETARY TO GOVERNMENT

To
The Commissioner,
Greater Visakhapatnam Municipal Corporation, Visakhapatnam.
Copy to:-
The Spl.CS to Chief Minister.
The PS to Chief Secretary.
The Finance (PMU.PPP Cell) Department.
The Law Department.
The I&I Department.
The General Administration (Cabinet) Department.
Sf/Sc.

// FORWARDED :: BY ORDER //

SECTION OFFICER